



IRA A. JACKSON  
COMMISSIONER

*The Commonwealth of Massachusetts*  
*Department of Revenue*  
*Leverett Saltonstall Building*  
*100 Cambridge Street, Boston 02204*

July 23, 1984

("Company") operates a direct mail business that uses word processing equipment in connection with the production of printed matter. You inquire whether the Company's purchase of the equipment is subject to the sales tax.

The Company uses the equipment to compose and print letters for its customers. For example, a university may engage the Company to periodically prepare solicitation letters to be sent to its alumni. The university would give the Company a current list of its alumni, which the Company would record on a magnetic disc, and update from time to time as needed. The Company would use the word processing equipment to print the solicitation letters, with appropriate personal references, and to print the envelopes and address labels for the letters as well.

In addition to the printing of letters, envelopes and labels, the word processing equipment is used to generate personal or individual information for customers, in the form of printouts. (For example, a university may request from the Company an up-to-date list of the telephone numbers of its alumni who have made substantial donations in the past.) In such cases, the Company typically provides a single printout of the requested information. The Company makes a separate charge for the information, which includes a "set-up" charge and a charge per thousand words in the printout.

General Laws Chapter 64H, Section 6(s) exempts from the sales tax sales of machinery and replacement parts thereof "used directly and exclusively...in an industrial plant

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in the actual manufacture, conversion or processing of tangible personal property to be sold." (Emphasis added.) "Sale" is defined for sales and use tax purposes as including:

(a) Any transfer of title or possession, or both, exchange, barter, lease, rental, conditional or otherwise, of tangible personal property for a consideration, in any manner or by any means whatsoever.

(b) The producing, fabricating, processing, printing or imprinting of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating, processing, printing or imprinting.

.....

(e) A transfer for a consideration of the title or possession of tangible personal property which has been produced, fabricated or printed to the special order of the customer, or of any publication.

[and]

(f) The furnishing of information by printed, mimeographed or multigraphed matter or by duplicating written or printed matter in any other manner, including the services of collecting, compiling or analyzing information of any kind or nature and furnishing reports thereof to other persons, but excluding the furnishing of information which is personal or individual in nature and which is not or may not be substantially incorporated in reports furnished to other persons...." G.L. c. 64H, § 1(12).

Subsection (11) of Sales and Use Tax Regulation 64H.06 ("Automatic Data Processing") provides:

Whether [processing of customer-furnished data] is taxable depends upon the form of the output. Where the output is provided to the customer in human-readable form, the transaction is regarded as one the real object of which is the service

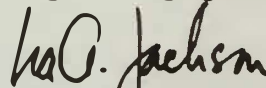
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of furnishing personal or individual information, and the transfer of the medium on which the output is printed is regarded as inconsequential in such cases. Therefore, such transactions are not subject to tax. Where the output is provided to the customer in machine-readable form, the transaction is regarded as one the real object of which is the transfer of tangible personal property, viz., an aid to equipment operation. Hence, such transactions are subject to tax.

The word processing equipment about which you inquire does not qualify for exemption under General Laws Chapter 64H, Section 6(s). It is used partly in the manufacturing or processing of tangible personal property to be sold, but it is also used in the non-taxable furnishing of personalized information. Section 6(s) by its terms applies only where machinery is used exclusively in an exempt activity.

Accordingly, it is ruled that the Company's purchase of the word processing equipment is subject to the sales tax.

Very truly yours,



Commissioner of Revenue

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